

Commerce

Previous Year Solved Paper (Jan. 2017)

Time : 1¼ hours**Paper-II****Maximum Marks : 100**

Note : This paper contains fifty (50) objective type questions, each question carries two (2) marks. Attempt all the questions.

1. **Assertion (A) :** Corporate culture is generally considered as either closed and threatening or as open and participatory.

Reason (R) : Corporate culture and style of functioning of top managers is important factor for determining the internal environment of a company.

Codes :

- (1) (A) is correct, but (R) is incorrect.
- (2) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (3) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (4) (R) is correct, but (A) is incorrect.

2. **Statement I :** If the workers develop an attitude of non-cooperation with Management, a repressive economic system may be needed to set right this industrial disorder.

Statement II : By fulfilling social responsibility towards shareholders, employees, consumers, government and community, a business achieves economic growth and increases public image.

Codes :

- (1) Statement I is correct, but II is incorrect.
- (2) Both the statements I and II are correct.
- (3) Statement II is correct but I is incorrect.
- (4) Both the statements are incorrect.

3. Match the items of List-I with List-II.

List-I

List-II

- | | |
|-----------------------------------------------------|------------|
| (a) Planning Commission | (i) 1993 |
| (b) Competition Act | (ii) 2002 |
| (c) Adrian Cadbury Committee | (iii) 1951 |
| (d) Rangrajan Committee on
Disinvestment in PSEs | (iv) 1991 |

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|------|-------|------|
| (1) | (i) | (ii) | (iii) | (iv) |
| (2) | (iii) | (i) | (iv) | (ii) |
| (3) | (iii) | (ii) | (iv) | (i) |
| (4) | (iii) | (ii) | (i) | (iv) |

4. From which Five Year Plan "Growth with Social Justice" has received emphasis ?
- | | |
|---------------------|----------------------|
| (1) 5 th | (2) 6 th |
| (3) 7 th | (4) 10 th |

5. Which of the following is not the objective of the Competition Act, 2002 ?
- (1) Prohibition of Restrictive Trade Practices.
 - (2) Prohibition of Dominant Position
 - (3) Prohibition of Anti-competitive Agreements
 - (4) Regulation of Combinations

6. Consolidated financial statements are prepared on the principle
- (1) In form the companies are one entity, in substance they are separate.
 - (2) In form companies are separate, in substance they are one.
 - (3) In form and substance the companies are one entity.
 - (4) In form and substance the companies are separate.

7. Match the items of List-I with those of List-II and indicate the correct code :

List-I

- (a) Acid Test Ratio
- (b) Debt Service Coverage Ratio
- (c) Debt Equity Ratio
- (d) Stock Turnover Ratio

List-II

- (i) Profitability analysis
- (ii) Activity analysis
- (iii) Liquidity analysis
- (iv) Long-term solvency analysis

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|------|
| (1) | (ii) | (i) | (iii) | (iv) |
| (2) | (ii) | (iii) | (iv) | (i) |
| (3) | (iii) | (iv) | (i) | (ii) |
| (4) | (iii) | (i) | (iv) | (ii) |

8. From the following two statements of Assertion (A) and Reason (R), indicate the correct code:

Assertion (A) : From the marginal costing approach point of view, the marginal cost is compared with the purchase price.

Reason (R) : If the marginal cost is less than the purchase price it should be purchased rather than manufactured.

Codes :

- (1) (A) and (R) both are correct.
- (2) (A) is correct, but (R) is not correct.
- (3) (A) is not correct, but (R) is correct.
- (4) (A) and (R) both are incorrect.

9. Which one of the following statements is true about standard labour time ?

- (1) Standard labour time indicates the time in hours needed for a specific process.
- (2) It is standardized on the basis of past experience.
- (3) In fixing standard time due allowance should not be given to fatigue and tool setting.
- (4) The Production Manager does not provide any input in setting the labour time standards.

10. Under the yield method of valuation of equity share capital, if for an equity share of ₹ 50, the normal rate of return is 10% and expected rate of return is 5%, then the value of an equity share will be

- (1) ₹ 25 (2) ₹ 40
(3) ₹ 50 (4) ₹ 100

11. Match the items of List-I with the items of List-II and denote the code of correct matching.

- | List-I | List-II |
|---------------------------------------------------------------|-----------------------|
| (a) Hypothesis of Sales Revenue Maximization | (i) W.J. Baumol |
| (b) Hypothesis of Maximization of Firm's Growth Rate | (ii) Robin Marris |
| (c) Hypothesis of Maximization of Managerial Utility Function | (iii) O.E. Williamson |
| (d) Hypothesis of Satisfying Behaviour | (iv) Cyert and March |

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|------|-------|-------|-------|
| (1) | (ii) | (i) | (iii) | (iv) |
| (2) | (ii) | (iii) | (i) | (iv) |
| (3) | (i) | (ii) | (iii) | (iv) |
| (4) | (i) | (iv) | (ii) | (iii) |

12. Which of the following is not a correct matching with regard to price elasticity, change in price and change in total revenue ?

Price elasticity coefficient	Change of price	Change in total revenue
(1) Zero	Increase	Increase
	Decrease	Decrease
(2) Less than one	Increase	Decrease
	Decrease	Increase
(3) Equal to one	Increase	No change
	Decrease	No change
(4) More than one	Increase	Decrease
	Decrease	Increase

13. The short-run production function for a firm is as follows :

$$Q = -L^3 + 15L^2 + 10L$$

Where Q denotes total output in physical units and L denotes units of labour which are homogeneous, but are not perfectly divisible and change in labour does not tend to become zero.

Statement I : In this production function, the marginal product of 5th unit of labour is 85.

Statement II : Similarly, in this production function, the average product of the 5th unit of labour is 60.

Codes :

- (1) Both the Statements are true.
(2) Both the Statements are false.
(3) Statement I is true, while Statement II is false.
(4) Statement I is false, but Statement II is true.

14. The Kinked demand curve model of oligopoly was developed by
- | | |
|----------------------|-----------------|
| (1) Augustin Cournot | (2) Stackelberg |
| (3) Edgeworth | (4) Sweezy |
15. For the success of the penetration price policy, which one of the following is not desirable ?
- (1) Short-run demand for the product to have elasticity greater than unity.
 - (2) Availability of economies of large scale production.
 - (3) Product to have very low cross-elasticity of demand.
 - (4) Easy acceptance and adoption of the product by the consumers.
16. **Statement I :** The absolute value of the difference between an unbiased estimate and the corresponding population parameter is called sampling error.
Statement II : Multi-stage sampling is a restricted non-probability based sampling technique. Indicate the correct code :
- (1) Both the Statements are correct.
 - (2) Both the Statements are incorrect.
 - (3) Statement I is correct, while Statement II is incorrect.
 - (4) Statement I is incorrect, while Statement II is correct.
17. Match the following items of List-I and List-II with regard to hypothesis-testing and indicate the code of correct matching.
- | List-I | List-II |
|--------------------------------------------------------------------------------|---------------------------|
| (a) The ability of test to reject the null hypothesis when it is false. | (i) Level of significance |
| (b) The probability of accepting a false null hypothesis. | (ii) Type I error |
| (c) The probability of rejecting a true null hypothesis due to sampling error. | (iii) Type II error |
| (d) The probability of rejecting a true null hypothesis. | (iv) Power of a test |
- Codes :**
- | | (a) | (b) | (c) | (d) |
|-----|------|-------|-------|-------|
| (1) | (iv) | (ii) | (i) | (iii) |
| (2) | (iv) | (iii) | (i) | (ii) |
| (3) | (i) | (ii) | (iii) | (iv) |
| (4) | (ii) | (iii) | (i) | (iv) |
18. Which one of the following is a false statement ?
- (1) The signs of the regression coefficients are always the same.
 - (2) Correlation coefficient is the geometric mean of the two regression coefficients.
 - (3) The co-variance between two variables divided by the product of their standard deviations produces the value of coefficient of correlation.
 - (4) Coefficient of correlation is independent of origin but not of scale.

19. If the two regression coefficients are 0.8 and 0.2, then the value of coefficient of correlation is
- | | |
|------------|------------|
| (1) - 0.16 | (2) + 0.50 |
| (3) + 0.40 | (4) - 0.40 |
20. Process of arranging data into a new order is called
- | | |
|--------------------------|-----------------------------|
| (1) Manipulation of data | (2) Standardization of data |
| (3) Sequencing of data | (4) Standardized input |
21. Developed by the Special Projects Office of the U.S. Navy; this technique was first formally applied to the planning and control of the Polaris Weapon System in 1958 and worked well in expediting the completion of that programme. The technique is known as
- | | |
|-----------------|-------------------------|
| (1) Gantt Chart | (2) PERT |
| (3) CRM | (4) Milestone budgeting |
22. Consider the following statements relating to planning and find out which of the following are correct :
- Statement I :** The operating personnel should not be associated with the preparation of the budget.
- Statement II :** A programme indicates the principal operations to be carried out to accomplish a work.
- Statement III :** Under MBO technique, the Managers should be provided with a freehand to laydown the objectives.
- Codes :**
- | |
|--------------------------------------------|
| (1) Only Statement I is correct. |
| (2) Only Statement II is correct. |
| (3) Only Statement III is correct. |
| (4) Only Statements I and III are correct. |
23. **Assertion (A) :** Sympathetic listening in upward communications often leads to resentment in communicator.
- Reason (R) :** Sympathetic listening and encouraging remarks often lead the communicator to believe that his proposal will receive action not contemplated by superior (communicatee).
- Codes :**
- | |
|-----------------------------------------------------------------|
| (1) (A) is correct and (R) is the right explanation to it. |
| (2) (A) is correct, but (R) is not the right explanation to it. |
| (3) (A) is not correct while (R) is a correct statement. |
| (4) Both (A) and (R) are incorrect. |
24. **Assertion (A) :** Herzberg believes that today's motivators are tomorrow's hygiene factors.
- Reason (R) :** Some job conditions operate primarily to dissatisfy employees when they are absent, but their presence does not motivate them in strong way.
- Codes :**
- | |
|--------------------------------------------------------------------------------|
| (1) (A) and (R) both are correct and (R) is the right explanation of (A). |
| (2) (A) and (R) both are correct, but (R) is not the right explanation of (A). |
| (3) (A) is not correct while (R) is a correct. |
| (4) Both (A) and (R) are incorrect. |

25. Which of the following statements relating to Henry Fayol are correct ?

Statement I : Authority and responsibility are related and former arises from latter.

Statement II : Espirit de Corps is an extension of the principle of unity of command.

Statement III : Unity of command means only one command at a time.

Statement IV : There are fourteen basic principles identified by Henry Fayol.

Codes :

- | | |
|-----------------------------|---------------------------|
| (1) Statements I, II and IV | (2) Statements II and III |
| (3) Statements I and IV | (4) Statements II and IV |

26. Match the following items of List-I (sources of competition) with List-II (examples for these sources of competition) and indicate the code of correct matching.

List-I

List-II

- | | |
|-------------------------------|------------------------------|
| (a) Directly similar products | (i) OLA Taxi and Metro Rail |
| (b) Available substitutes | (ii) Mercedes and BMW |
| (c) Unrelated products | (iii) PVR and Amusement park |

Codes :

- | | | | |
|-----|------------|------------|------------|
| | (a) | (b) | (c) |
| (1) | (iii) | (ii) | (i) |
| (2) | (i) | (iii) | (ii) |
| (3) | (i) | (ii) | (iii) |
| (4) | (ii) | (i) | (iii) |

27. The marketing task which finds ways to alter the time pattern of demand through flexible pricing, promotion and other incentives is called

- | | |
|---------------------|-----------------------|
| (1) Demarketing | (2) Synchromarketing |
| (3) Flexi marketing | (4) Gorilla Marketing |

28. Which of the following is not a reason for a firm to lose its market share to competitors ?

- (1) A product/model is perceived by the target customer group as satisfying needs.
- (2) Customers not being covered by the company's sales force and distribution outlets.
- (3) Customers may have been lost to competitors due to poor service by the firm or its sales personnel or product becoming obsolete or more expensive.
- (4) All the above are correct reasons for given condition.

29. Match the items of List-I with List-II and denote the code of correct matching.

List-I

List-II

- | | |
|----------------------|------------------------------------------------|
| (a) Invest Strategy | (i) No receiving of new resources. |
| (b) Protect Strategy | (ii) Well financed marketing efforts. |
| (c) Harvest Strategy | (iii) Selective resource allocation |
| (d) Divest Strategy | (iv) Not warranting substantial new resources. |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (ii) | (iii) | (iv) | (i) |
| (2) | (i) | (iii) | (ii) | (iv) |
| (3) | (ii) | (i) | (iv) | (iii) |
| (4) | (iv) | (iii) | (ii) | (i) |

30. An elaborated version of the idea expressed in meaningful consumer term is called
- | | |
|---------------------|------------------|
| (1) Product image | (2) Product idea |
| (3) Product concept | (4) Prototype |
31. Which one of the following combination of rules stands true while preparing schedule of changes in working capital ?
- (A) An increase in current assets increases working capital.
(B) An increase in current assets decreases working capital.
(C) An increase in current liabilities decreases working capital.
(D) An increase in current liabilities increases working capital.
- Codes :**
- | | |
|-----------------|-----------------|
| (1) (A) and (D) | (2) (A) and (C) |
| (3) (B) and (C) | (4) (C) and (D) |
32. **Assertion (A) :** The primary motive of a company in using financial leverage is to magnify shareholders' return under favourable economic conditions.
- Reason (R) :** To magnify shareholders' return fixed charges funds can be obtained at a cost higher than the firm's rate of return on net assets.
- Codes :**
- (1) (A) is correct and (R) is the correct explanation of (A).
(2) (A) is correct, but (R) is wrong.
(3) (R) is correct, but (A) is wrong.
(4) Both (A) and (R) are wrong.
33. Debt financing is a cheaper source of finance because of
- (1) Time value of money
(2) Rate of interest
(3) Tax deductibility of interest of interest
(4) Dividends are not payable to lenders
34. Which of the following is not true with reference to capital budgeting ?
- (1) Capital budgeting is related to asset replacement decisions.
(2) Cost of capital is equal to minimum required rate of return.
(3) Timing of cash flows is relevant.
(4) Existing investment in a project is not treated as sunk cost.
35. Which of the following statements is not correct ?
- (1) The cost of capital is required rate of return to ascertain the value of the firm.
(2) Different sources of funds have a specific cost of capital related to that source only.
(3) Cost of capital does not comprise any risk premium.
(4) Cost of capital is basic data for NPV technique.

36. Which of the following is not the quality of human resources in any organization ?
- (1) Their behaviour to stimuli is often inconsistent and unpredictable.
 - (2) They depreciate with passage of time in terms of skills.
 - (3) They are heterogeneous.
 - (4) Retaining qualified human resources is a challenge for managers.
37. Human Resource Planning benefits to an organization are reflected in which of the combination of the following ?
- (a) Balance between demand and supply of human resources.
 - (b) Non-compulsion on management to assess critically and continuously the employees and personnel policies.
 - (c) Duplication of efforts and conflicts are avoided.
 - (d) Minimizing the future returns on investment in human resources.

Codes :

- | | |
|----------------------|----------------------|
| (1) (a) and (b) | (2) (a) and (c) |
| (3) (a), (b) and (c) | (4) (a), (c) and (d) |

38. A statement containing items such as job title, location, summary, duties, materials used, working conditions etc., is called
- | | |
|-----------------------|--------------------|
| (1) Job specification | (2) Job evaluation |
| (3) Job description | (4) Job analysis |

39. Match List-I with List-II relating to theory of wages.

List-I

(Wage Theory)

- (a) Wage Fund Theory
- (b) Subsistence Theory
- (c) Residual Claimant Theory
- (d) Bargaining Theory of Wages

List-II

(Propounder)

- (i) John Davidson
- (ii) David Ricardo
- (iii) Adam Smith
- (iv) Francis Walker

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|-------|
| (1) | (ii) | (iv) | (i) | (iii) |
| (2) | (iii) | (ii) | (iv) | (i) |
| (3) | (iv) | (i) | (iii) | (ii) |
| (4) | (ii) | (iii) | (iv) | (i) |

40. Which organizational analysis method is used, among the following, to develop various efficiency indices relating to contribution of human capital in meeting the organizational goals ?
- (1) Objectives analysis
 - (2) Resource utilization analysis
 - (3) Task analysis
 - (4) Organizational climate analysis

41. Match the items of List-I with the items of List-II regarding evaluation of project application and suggest the correct code.

List-I

- (a) Managerial Appraisal
- (b) Economic Appraisal
- (c) Financial Appraisal
- (d) Technical Appraisal

List-II

- (i) Analysis of working results.
- (ii) Disposal of factory effluents.
- (iii) Analysis about traits of an entrepreneur
- (iv) Analysis on employment potential

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|-------|
| (1) | (i) | (ii) | (iv) | (iii) |
| (2) | (ii) | (i) | (iii) | (iv) |
| (3) | (iii) | (iv) | (i) | (ii) |
| (4) | (iv) | (iii) | (ii) | (i) |

42. Match the items of List-I with the items of List-II and suggest the correct code.

List-I

- (a) Relationship Banking
- (b) Merchant Banking
- (c) Indigenous Banking
- (d) Development Banking

List-II

- (i) Dealing in hundis and acceptance of deposits.
- (ii) Widening the entrepreneurial base and assist in a rapid rate of industrial growth.
- (iii) Engaged in the business of Issue Management.
- (iv) Creating, maintaining and enhancing strong relationship with customers.

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|------|-------|-------|-------|
| (1) | (iv) | (ii) | (i) | (iii) |
| (2) | (ii) | (iv) | (iii) | (i) |
| (3) | (iv) | (iii) | (i) | (ii) |
| (4) | (ii) | (i) | (iv) | (iii) |

43. In which year, IFCI Act was amended in order to make it possible to provide assistance, inter alia, for medical, health or other allied services ?

- | | |
|----------|----------|
| (1) 1960 | (2) 1970 |
| (3) 1973 | (4) 1986 |

44. SIDBI was set up as a subsidiary of IDBI to

- (1) Take over the functions of small business financing of IDBI.
- (2) Take over the venture capital operations of ICICI.
- (3) Reconstruct and rehabilitate the sick and closed industrial units financed by IDBI.
- (4) Facilitate, finance and promote India's Foreign trade.

45. Letters of credit, Guarantees, Forward Contracts etc., come under which one of the following ?

- (1) Liabilities of a bank
- (2) Assets of a bank
- (3) Foreign exchange items of a bank
- (4) Off-balance sheet items of a bank

- 46.** Consider the following statements with regard for the "Theory of Absolute Cost Advantage" :
- Productive efficiency differed among different countries because of diversity in natural and acquired resources possessed by them.
 - The difference in natural advantage manifests in varying climate, quality of land, availability of minerals, water and other resources.
 - The difference in acquired resources manifests in different levels of technology and skills available.

Identify the correct code from the following :

- Statement (i) is correct, but (ii) and (iii) are incorrect.
- Statements (i) and (ii) are correct, but (iii) is incorrect.
- All the statements (i), (ii) and (iii) are correct.
- None of the statements is correct.

- 47.** Match the items of List-I with List-II and indicate the correct code.

List-I		List-II	
(a)	Absolute Cost Advantage Theory	(i)	The empirical evidence based on US export of labour intensive goods challenging the factor endowment theory.
(b)	Comparative Cost Advantage Theory	(ii)	A country having a direct cost advantage in the production of a product on account of greater efficiency.
(c)	Factor Endowment Theory	(iii)	A country should produce and export a commodity that primarily involves a factor of production abundantly available within the country.
(d)	Leontief Paradox	(iv)	A country should specialize in the production and export of a commodity in which it possesses greatest relative advantage.

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iv)	(iii)	(i)
(2)	(ii)	(iv)	(i)	(iii)
(3)	(ii)	(i)	(iii)	(iv)
(4)	(i)	(iv)	(iii)	(ii)

- 48.** Match the items of List-I with List-II and indicate the code of correct matching :

List-I		List-II	
(a)	Accommodating capital flow	(i)	Creation of international reserve assets by the IMF and their allocation among member countries in order to improve international liquidity.
(b)	Autonomous flow capital	(ii)	Estimate of foreign exchange flow on account of either variations in the collection of related figures or unrecorded illegal transactions of foreign exchange.

- | | |
|-----------------------------|--------------------------------------------------------------------------------------------------|
| (c) SDR Allocation | (iii) Inflow of foreign exchange to meet the balance of payments deficit, normally from the IMF. |
| (d) Statistical discrepancy | (iv) Flow of loans/investments in normal course of business. |

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(ii)	(iv)	(iii)
(2)	(iii)	(iv)	(i)	(ii)
(3)	(iii)	(iv)	(ii)	(i)
(4)	(iii)	(i)	(ii)	(iv)

49. Statement I : TRIMS agreement refers to conditions or restrictions imposed on foreign investors.

Statement II : TRIMS agreement specifically forbids imposing restrictions on operations of an enterprise which result in protecting domestic products and making imports disadvantageous.

Codes :

- (1) Statement I is correct, but II is incorrect.
- (2) Statement II is correct, but I is incorrect.
- (3) Both the statements I and II are correct.
- (4) Both the statements I and II are incorrect.

50. Assertion (A) : Revenue from indirect taxes was the major source of tax revenue till tax reforms were taken during nineties.

Reason (R) : Traditionally India's tax regime relied heavily on indirect taxes including customs and excise.

Codes :

- (1) (A) and (R) both are correct, but (R) is not the correct explanation of (A).
- (2) (A) is correct, but (R) is not correct.
- (3) (A) and (R) both are correct and (R) is the correct explanation of (A).
- (4) (A) and (R) both are incorrect.

ANSWER KEY

1	2	3	4	5	6	7	8	9	10
2	2	3	1	1	3	4	2	1	1
11	12	13	14	15	16	17	18	19	20
3	2	4	4	3	3	2	4	3	1
21	22	23	24	25	26	27	28	29	30
2	2	1	2	4	4	2	1	1	3
31	32	33	34	35	36	37	38	39	40
2	2	3	4	3	2	2	3	2	2
41	42	43	44	45	46	47	48	49	50
3	3	4	1	4	3	1	2	3	3

9 = ALL, A = 12, B = 13, C = 14, D = 123, E = 124, F = 134, H = 23, I = 24, J = 234, K = 34

SOLUTIONS

1. (2) Both (A) and (R) are correct and (R) is the correct explanation of (A).
2. (2) Both the statements I and II are correct.
3. (3)

List-I	List-II
(a) Planning Commission	(i) 1951
(b) Competition Act	(ii) 2002
(c) Adrian Cadbury Committee	(iii) 1991
(d) Rangrajan Committee on Disinvestment in PSEs	(iv) 1993
4. (1) The 5th FYP was introduced when the economy was witnessing hyper-inflation due to hike in oil prices and the government failure to take over the wholesale wheat trade. The Plan set two goals i.e. removal of poverty (Garibi Hatao was the slogan given by Mrs. Indira Gandhi, the then Prime Minister) and attainment of self-reliance through better growth, better income distribution and higher domestic savings. The Fifth Plan was terminated by the newly elected Janata Government in March 1978. The targeted growth rate was 4.4% while the actual growth rate was 4.8%.
5. (1) **Objectives of Company Act**
 - (i) To check anti-competitive practices
 - (ii) To prohibit abuse of dominance
 - (iii) Regulation of combinations.
 - (iv) To provide for the establishment of CCI, a quasi-judicial body to perform below mentioned duties :
 - Prevent practices having adverse impact on competition
 - Promote and sustain competition in the market
 - Protect consumer interests at large
 - Ensure freedom of trade carried on by other participants in the market
 - Look into matters connected therewith or incidental thereto.
6. (3) In form and substance the companies are one entity.
7. (4)

List-I	List-II
(a) Acid Test Ratio	(i) Liquidity analysis
(b) Debt Service Coverage Ratio	(ii) Profitability analysis
(c) Debt Equity Ratio	(iii) Long- term solvency analysis
(d) Stock Turnover Ratio	(iv) Activity analysis
8. (2) (A) is correct, but (R) is not correct.
9. (1) Standard labour time indicates the time in hours needed for a specific process.
10. (1) Expected Rate of Earning = $\frac{\text{Profit after tax}}{\text{Equity Share's paid value}} \times 100$

Value per Share = $\frac{\text{Expected rate of earning}}{\text{Normal rate of return}} \times \text{Paid up Equity value}$

5 / 10 × 50 = 25 Rs.

11. (3) **List-I** **List-II**
- (a) Hypothesis of Sales Revenue Maximization (i) W.J. Baumol
- (b) Hypothesis of Maximization of Firm's Growth Rate (ii) Robin Marris
- (c) Hypothesis of Maximization of Managerial Utility Function (iii) O.E. Williamson
- (d) Hypothesis of Satisfying Behaviour (iv) Cyert and March

12. (2)

Price elasticity coefficient	Change of Price	Change in Total Revenue
Less than one	Increase	Decrease
	Decrease	Increase

13. (4) Statement I is false, but Statement II is true.

14. (4) The kinked demand curve of oligopoly was developed by Paul M. Sweezy in 1939. Instead of laying emphasis on price-output determination, the model explains the behavior of oligopolistic organizations. The model advocates that the behavior of oligopolistic organizations remain stable when the price and output are determined.

This implies that an oligopolistic market is characterized by a certain degree of price rigidity or stability, especially when there is a change in prices in downward direction. For example, if an organization under oligopoly reduces price of products, the competitor organizations would also follow it and neutralize the expected gain from the price reduction. On the other hand, if the organization increases the price, the competitor organizations would also cut down their prices. In such a case, the organization that has raised its prices would lose some part of its market share.

15. (3) Product to have very low cross-elasticity of demand is not desirable in penetration price policy.

Penetration pricing is a **pricing strategy** where the **price** of a product is initially set low to rapidly reach a wide fraction of the market and initiate word of mouth. The **strategy** works on the expectation that customers will switch to the new brand because of the lower **price**.

16. (3) Statement I is correct, while Statement II is incorrect.

17. (2) **List-I** **List-II**
- (a) The ability of test to reject the null hypothesis when it is false. (i) Power of a test
- (b) The probability of accepting a false null hypothesis. (ii) Type II error
- (c) The probability of rejecting a true null hypothesis due to sampling error. (iii) Level of significance
- (d) The probability of rejecting a true null hypothesis. (iv) Type I error

18. (4) Properties of Regression Coefficients

1. The correlation coefficient is the geometric mean of the two regression coefficients.
2. Regression coefficients are independent of change of origin but not of scale.
3. If one regression coefficient is greater than unit, then the other must be less than unit but not vice versa. i.e.. both the regression coefficients can be less than unity but both cannot be greater than unity, ie. if $b_1 > 1$ then $b_2 < 1$ and if $b_2 > 1$, then $b_1 < 1$.
4. Also if one regression coefficient is positive the other must be positive (in this case the correlation coefficient is the positive square root of the product of the two regression coefficients) and if one regression coefficient is negative the other must be negative (in this case the correlation coefficient is the negative square root of the product of the two regression coefficients). i.e. if $b_1 > 0$, then $b_2 > 0$ and if $b_1 < 0$, then $b_2 < 0$.
5. If θ is the angle between the two regression lines then it is given by $\tan \theta = \frac{(1-r^2)\sigma_x\sigma_y}{r(\sigma_x^2 + \sigma_y^2)}$.

19. (3) $r = +\sqrt{0.8 \times 0.2} = 0.4$

20. (1) Data manipulation is the process of changing data in an effort to make it easier to read or be more organized. For example, a log of data could be organized in alphabetical order, making individual entries easier to locate. Data manipulation is often used on web server logs to allow a website owner to view their most popular pages as well as their traffic sources.

21. (2) The program (or project) evaluation and review technique, commonly abbreviated PERT, is a statistical tool, used in project management, which was designed to analyze and represent the tasks involved in completing a given project.
First developed by the United States Navy in the 1950s, it is commonly used in conjunction with the critical path method (CPM).

22. (2) Only Statement II is correct.

23. (1) (A) is correct and (R) is the right explanation to it.

24. (2) (A) and (R) both are correct, but (R) is not the right explanation of (A).

25. (4) Statements II and IV

26. (4)	List-I	List-II
(a)	Directly similar products	(i) Mercedes and BMW
(b)	Available substitutes	(ii) OLA Taxi and Metro Rail
(c)	Unrelated products	(iii) PVR and Amusement park

27. (2) Many organizations face demand that varies on a seasonal, daily, or even hourly basis, causing problems of idle capacity or overworked capacity. Museums are under visited during weekdays and overcrowded during weekends. Likewise, holiday resorts are visited more frequently during summer and winter holidays and are idle in other seasons. The marketing task, called synchro marketing, is to find ways to alter the time pattern of demand through flexible pricing, promotion and other incentives.

28. (1) A firm may lose its market share to the competition because of any or all of the following reasons: a) product/model not offered or not perceived by target customer group as satisfying needs b) customers not being covered by the company's sales force and distribution outlets c) customers may have been lost to competitors due to poor service by the firm or its sales personal, or product becoming obsolete or more expensive.

29. (1) **List-I**
- | | |
|----------------------|-------------------------------------------------|
| (a) Invest Strategy | (i) Well financed marketing efforts. |
| (b) Protect Strategy | (ii) Selective resource allocation |
| (c) Harvest Strategy | (iii) Not warranting substantial new resources. |
| (d) Divest Strategy | (iv) No receiving of new resources. |
30. (3) Philip Kotler states that product idea is a possible product that the company may offer to the market; product concept is an elaborated version of the idea expressed in meaningful consumer terms; and product image is the particular picture that consumer acquires of an actual or potential product. The step involves three sub-steps-concept development, concept positioning, and concept testing.
31. (2) (A) and (C)
32. (2) (A) is correct, but (R) is wrong.
33. (3) **Minimum Cost of Capital** : Cost of capital means interest on debts or dividend on shares. Debt is a cheaper source of finance in comparison to equity capital because rate of interest is lower than the return expected by equity shareholders and the tax deductibility of interest further reduces the cost of debt. The preference share capital is also cheaper than equity capital, but not as cheap as debt. Thus, optimum capital structure should include sufficient amount of debt since it is the cheapest source of finance.
34. (4) Capital budgeting is the process in which a business determines and evaluates potential expenses or investments that are large in nature. These expenditures and investments include projects such as building a new plant or investing in a long-term venture. Often times, a prospective project's lifetime cash inflows and outflows are assessed in order to determine whether the potential returns generated meet a sufficient target benchmark, also known as "investment appraisal."
35. (3) Cost of capital does not comprise any risk premium.
36. (2) They depreciate with passage of time in terms of skills.
37. (2) (a) and (c)
38. (3) **Job Description**
- Job description is a defines and describes in terms of its duties, responsibilities, working conditions, and organisational, and operational relationships.
- In simple words, a job description emphasises job requirements. The specimen of a simple job description is shown in Exhibit 7A.

Contents of Job Description

Generally, a job description contains the following information:

- Job Title** : It is desirable that the job title is short, specific and suggestive of the nature of the job. It should avoid a more impressive-sounding status than it deserves. For example, it should use the title "sales representative" rather than "sales executive" for a job that does not have executive duties such as supervising a staff of salespeople.
- Job Location** : The name of the department/division where the job under consideration exists.
- Job Summary** : A short statement about the major activities or tasks to be performed, and the duties and responsibilities attached with the job. This is the most important part of the job description and should be carefully prepared.
- Tools, machinery and special equipment used.

5. Working conditions specifying special pressures, social isolation, health hazards, and other characteristics of the physical surroundings.
 6. Organisational and operational interrelationships, i.e. a statement showing relation of the job to other closely associated jobs, including superior and subordinate positions and liaison required with the other departments.
39. (2)
- | List-I
(Wage Theory) | List-II
(Propounder) |
|---------------------------------------|---------------------------------------|
| (a) Wage Fund Theory | (i) Adam Smith |
| (b) Subsistence Theory | (ii) David Ricardo |
| (c) Residual Claimant Theory | (iii) Francis Walker |
| (d) Bargaining Theory of Wages | (iv) John Davidson |
40. (2) *Utilization* is defined as the number of utilized hours in a period divided by the number of capacity hours in the same period. Utilized time is the total number of hours during a specified period of time that an employee plans to work (or has worked) on an activity that the organization includes in its utilization analysis. The type of project time-such as billable, non billable, and internal-and the type of personal (policy) time-such as training, vacation, and administration-and include this information in the definition of utilized time. the system to use pending forecasts, include external resources, and include specific job codes when performing the calculations.
41. (3)
- | List-I | List-II |
|--------------------------|----------------------------------------------|
| (a) Managerial Appraisal | (i) Analysis about traits of an entrepreneur |
| (b) Economic Appraisal | (ii) Analysis on employment potential |
| (c) Financial Appraisal | (iii) Analysis of working results |
| (d) Technical Appraisal | (iv) Disposal of Factory effluents |
42. (3)
- | List-I | List-II |
|--------------------------|-----------------------------------------------------------------------------------------|
| (a) Relationship Banking | (i) Creating, maintaining and enhancing strong relationship with customers. |
| (b) Merchant Banking | (ii) Engaged in the business of Issue Management |
| (c) Indigenous Banking | (iii) Dealing in hundis and acceptance of deposits |
| (d) Development Banking | (iv) Widening the entrepreneurial base and assist in a rapid rate of industrial growth. |
43. (4) The IFCI (Amendment) Act, 1986 has made it possible for the Corporation to provide assistance inter alia for medical, health or other allied services.
44. (1) Small Industries Development Bank of India is an independent financial institution aimed to aid the growth and development of micro, small and medium-scale enterprises (MSME) in India. Set up on April 2, 1990 through an act of parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India. Currently the ownership is held by 34 Government of India owned / controlled institutions. Beginning as a refinancing agency to banks and state level financial institutions for their credit to small industries, it has expanded its activities, including direct credit to the SME through 100 branches in all major industrial clusters in India. [citation needed] Besides, it has been playing the development role in several ways such as support to micro-finance institutions for capacity building and on lending. Recently it has opened seven branches christened as Micro Finance branches, aimed especially at dispensing loans up to 5 lakh.

45. (4) Off-balance sheet (OBS) items is a term for assets or liabilities that do not appear on a company's balance sheet. Although not recorded on the balance sheet, they are still assets and liabilities of the company. Off-balance sheet items are typically those not owned by or are a direct obligation of the company. For example, when loans are securitized and sold off as investments, the secured debt is often kept off the bank's books. An operating lease is one of the most common off-balance items.
46. (3) All the statements (i), (ii) and (iii) are correct.
47. (1)
- | List-I | List-II |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Absolute Cost Advantage Theory | (i) The empirical evidence based on US export of labour intensive goods challenging the factor endowment theory. |
| (b) Comparative Cost Advantage Theory | (ii) A country having a direct cost advantage in the production of a product on account of greater efficiency. |
| (c) Factor Endowment Theory | (iii) A country should produce and export a commodity that primarily involves a factor of production abundantly available within the country. |
| (d) Leontief Paradox | (iv) A country should specialize in the production and export of a commodity in which it possesses greatest relative advantage. |
48. (2)
- | List-I | List-II |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Accommodating capital flow | (i) Inflow of foreign exchange to meet the balance of payments deficit, normally from the IMF. |
| (b) Autonomous flow capital | (ii) Flow of loans/investments in normal course of business. |
| (c) SDR Allocation | (iii) Creation of international reserve assets by the IMF and their allocation among member countries in order to improve international liquidity. |
| (d) Statistical discrepancy | (iv) Estimate of foreign exchange flow on account of either variations in the collection of related figures or unrecorded illegal transactions of foreign exchange. |
49. (3) Both the statements I and II are correct.
50. (3) (A) and (R) both are correct and (R) is the correct explanation of (A).

Commerce

Previous Year Solved Paper (Jan. 2017)

Time : 2½ hours**Paper-III****Maximum Marks : 150**

Note : This paper contains seventy five (75) objective type questions, each question carries two (2) marks. Attempt all the questions.

1. Put the following steps of strategic Management Process in correct sequence :

- (a) Scanning and Evaluation of Business Environment
- (b) Formulating strategies
- (c) Implementation of Corporate Strategy
- (d) Deciding about the Mission of the organisation
- (e) Setting Corporate Level Objective

Codes :

- | | |
|--------------------------------|--------------------------------|
| (1) (a), (b), (c), (d) and (e) | (2) (d), (a), (b), (c) and (e) |
| (3) (d), (a), (e), (c) and (b) | (4) (d), (a), (e), (b) and (c) |

2. Match the items of List-I with those of List-II and indicate the code of correct matching.

List-I

- (a) Indian Railways
- (b) Unit Trust of India
- (c) Bharat Heavy Electricals Limited

List-II

- (i) Government Company
- (ii) Department Undertaking
- (iii) Statutory Corporation

Codes :

- | | (a) | (b) | (c) |
|-----|------------|------------|------------|
| (1) | (i) | (ii) | (iii) |
| (2) | (ii) | (iii) | (i) |
| (3) | (ii) | (i) | (iii) |
| (4) | (iii) | (ii) | (i) |

3. Identify the correct statement from the following :

- (1) The liability of the Karta is limited.
- (2) A joint Hindu family business continues to exist on the death of a co-partner.
- (3) A joint Hindu family business ceases to exist on the death of the Karta.
- (4) A joint Hindu family business comes into existence by Hindu law.

4. **Statement I :** "Working in harmony with the community and environment around us and not cheating our customers and workers we might not gain anything in the short run but in the long term it means greater profits and shareholders value".

Statement II : According to Mahatma Gandhi, capitalist class owns wealth or capital as trustees of the society.

Codes :

- (1) Statement I is correct, but II is incorrect.
- (2) Statement II is correct, but I is incorrect.
- (3) Both the statements I and II are incorrect.
- (4) Both the statements I and II are correct.

5. Match the items of List-I with items of List-II and indicate the code of correct matching.

List -I

- (a) Principle of Separate Entity
- (b) Principle of Conservatism
- (c) Principle of Money Measurement
- (d) Historical cost concept

List-II

- (i) Valuing Plant and Machinery at cost less depreciation.
- (ii) Recording punctuality and honesty of employees of an organization.
- (iii) Capital contributed by proprietor is shown as liability in Balance Sheet.
- (iv) Valuing inventories at cost or market price whichever is less.

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|------|------|
| (1) | (iii) | (ii) | (i) | (iv) |
| (2) | (iii) | (iv) | (ii) | (i) |
| (3) | (iv) | (iii) | (i) | (ii) |
| (4) | (iii) | (i) | (ii) | (iv) |

6. Which of the following is not true ?

- (1) When all the forfeited shares are not reissued, the forfeited shares account will also show as credit balance equal to gain on forfeiture of shares not yet reissued.
- (2) Loss on reissue of shares cannot be more than gain on forfeiture of those shares.
- (3) At the time of forfeiture of shares, securities premium is debited along with share capital when premium has not been received.
- (4) When forfeited shares are issued at premium, the premium amount is credited to Capital Reserve Account.

7. Preparation of consolidated Balance Sheet of Holding Company and its subsidiary company is done as per

- | | |
|-----------|-----------|
| (1) AS 11 | (2) AS 21 |
| (3) AS 22 | (4) AS 23 |

8. Amount due to outgoing partner is shown in the balance sheet as his

- | | |
|---------------|-----------|
| (1) Liability | (2) Asset |
| (3) Capital | (4) Loan |

9. Match the items of List-I with items of List-II and indicate the code of their correct matching.

List-I

- (a) Non-price quantity relationships of demand.
- (b) Income effect of a price rise greater than its substitution effect
- (c) Transitivity and consistency of choices.
- (d) Price-quantity relationships of demand.

List-II

- (i) Extension and contraction of demand.
- (ii) Ordinal utility approach.
- (iii) Increase and decrease in demand.
- (iv) Giffen goods.

Codes :

	(a)	(b)	(c)	(d)
(1)	(iv)	(ii)	(iii)	(i)
(2)	(ii)	(i)	(iv)	(iii)
(3)	(iii)	(iv)	(ii)	(i)
(4)	(i)	(ii)	(iii)	(iv)

- 10.** The short-run cost function of a firm is as under :

$$TC = 200 + 5Q + 2Q^2$$

What will be the level of output at which AC and MC will be equal ?

- | | | | |
|-----|----|-----|----|
| (1) | 20 | (2) | 15 |
| (3) | 10 | (4) | 5 |

- 11.** Short-run demand and total cost functions for a monopoly firm are as under :

Demand function : $Q = 100 - 0.2 P$

Price function : $P = 500 - 5 Q$

Cost function : $TC = 50 + 20 Q + Q^2$

Where Q = Total quantity of the product in physical units.

P = Price of the product per unit

TC = Total cost

What is the profit maximizing output of the pure monopoly firm ?

- | | | | |
|-----|----|-----|----|
| (1) | 20 | (2) | 35 |
| (3) | 40 | (4) | 50 |

- 12.** In which one of the following market situations, the pricing above the prevailing market price is used as a more common practice ?

- (1) Markets where the selling firms face perfect competitive situations.
- (2) Markets where the selling firms want to gain popularity of the products having high cross elasticity of their-demand.
- (3) Markets where sellers rely on their customers' high propensity to consume a prestigious commodity.
- (4) Markets where the selling firms have entered into the stages of maturity and saturation.

- 13.** Which one of the following statements is false regarding normal distribution ?

- (1) Mean, Median and Mode always coincide.
- (2) Within $\pm 1.96 \sigma$ limits from Mean value, the area under the distribution is 99 percent of the total area.
- (3) The area under the normal curve represents probabilities for the normal random variable and the total area for the normal probability distribution is one.
- (4) For every pair of values of Mean and Standard deviation, the curve of the distribution is bell-shaped and symmetric.

14. If unexplained variation between variables X and Y is 36%, what is the coefficient of correlation between the variables ?
- (1) 0.36 (2) 0.64
(3) 0.60 (4) 0.80
15. Which one of the following is the formula to calculate standard error of mean differences of two sample groups ?
- (1) $\frac{\sigma_p}{\sqrt{n}}$ (2) $\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}$
(3) $\frac{\sigma_1^2}{\sigma_2^2}$ where $\sigma_1^2 < \sigma_2^2$ (D) $\sqrt{\frac{p_1q_1}{n_1} + \frac{p_2q_2}{n_2}}$
16. A researcher wants to test the significance of the difference between the average performance of the two small sized samples when the information of the population standard deviation is not available, which one of the following hypothesis-testing is suitably used ?
- (1) Z-test (2) Chi-square test
(3) F-test (4) t-test
17. Which of the following statements are not correct ? Indicate the correct code.
- Statement I :** Organizational culture means the general pattern of behaviour, belief and values that organization members have in individuality.
- Statement II :** As per contingency theory of Leadership, people become leader only because of the demand of group members.
- Statement III :** The group judgement can only be obtained through the formal committees.
- Statement IV :** Ombudsperson in communication function is a person assigned to investigate employee concerns and providing valuable upward communication link.
- Codes :**
- (1) Statements I, II and IV (2) Statements I, III and IV
(3) Statements I, II and III (4) Statements II, III and IV
18. **Assertion (A) :** The organization is a closed system that operates within and interacts with the external environment.
- Reasoning (R) :** The system approach to management includes the outputs from the external environment on the basis of interactions between management and employees.
- Codes :**
- (1) (A) and (R) are correct and (R) is the correct reasoning of (A).
(2) (A) and (R) are correct, but (R) is not the correct explanation of (A).
(3) (A) is incorrect while (R) is a correct statement.
(4) Both (A) and (R) are incorrect.
19. Match List-I with List-II relating to corporate ethics and indicate the code of their correct matching.
- | List-I | List-II |
|-------------------------|-------------------------------------------------------------|
| (a) Utilitarian theory | (i) Behaviour guiding statements. |
| (b) Code | (ii) Making public known about unethical company practices. |
| (c) Whistle blowing | (iii) Society with varied interest groups. |
| (d) Pluralistic society | (iv) Evaluation of plans with its consequences. |

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(iii)	(iv)	(ii)
(2)	(ii)	(iii)	(iv)	(i)
(3)	(iii)	(i)	(ii)	(iv)
(4)	(iv)	(i)	(ii)	(iii)

20. Find out the correct sequence of planning function of the following elements :

- (a) Diagnosis of opportunity
- (b) Establishing objectives
- (c) Identifying and comparing alternatives
- (d) Formulating derivative plans
- (e) Choosing an alternative

Codes :

- | | |
|-----------------------------|-----------------------------|
| (1) (a), (c), (b), (e), (d) | (2) (b), (e), (a), (c), (d) |
| (3) (a), (b), (c), (e), (d) | (4) (a), (b), (c), (d), (e) |

21. Creating the capability of making purchases directly from a firm's website is known as

- | | |
|---------------------------------|-------------------------------------|
| (1) Electronic Networking | (2) Electronic Transactions |
| (3) Electronic Data Interchange | (4) Electronic Information Transfer |

22. For the following two statements of Assertion (A) and Reasoning (R) indicate the correct code:

Assertion (A) : The self image could be an individual's own perceived image and actual image based on how others perceive the individual.

Reasoning (R) : Large number of products like credit cards, automobiles, readymade garments, designer ware, cosmetics and perfumes are bought due to self image and demographic variables like income may not be important in purchase decisions for these products.

Codes :

- (1) (A) and (R) both are not correct.
- (2) (A) is correct, but (R) is not correct.
- (3) (A) is correct and (R) is correct explanation for (A).
- (4) (A) is not correct, but (R) is correct.

23. Match the media factors given in List-I with examples given in List-II and indicate the code of current matching.

List-I	List-II
(a) Media class	(i) Prime time at 9:00 PM, full page ad of Honda City
(b) Media vehicles	(ii) Magazine, T.V., Radio
(c) Media option	(iii) Flighting, Pulsing
(d) Scheduling & timing	(iv) Times of India, T. V. serial Bhabhi Ji Ghar Pe Hain

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iv)	(i)	(iii)
(2)	(iii)	(i)	(iv)	(ii)
(3)	(i)	(ii)	(iv)	(iii)
(4)	(iv)	(ii)	(iii)	(i)

24. In integrating specialist functions of product management with the line function of sales as major challenge to top management can be achieved by which type of marketing organization ?

- | | |
|-----------------------------|------------------------------|
| (1) Functional organization | (2) Territorial organization |
| (3) Matrix organization | (4) None of the above |

25. **Assertion (A) :** The important aspect of dividend policy is to determine the amount of earnings to be distributed to shareholders and the amount to be retained in the firm.

Reasoning (R) : Dividend policy of the firm has its effect on both the long term financing and the wealth of shareholders.

Codes :

- | |
|----------------------------------------------------------------------------------|
| (1) (A) and (R) both are correct and (R) is the correct explanation of (A). |
| (2) (A) and (R) both are correct, but (R) is not the correct explanation of (A). |
| (3) (A) is correct, but (R) is wrong. |
| (4) (R) is correct, but (A) is wrong. |

26. Match the items in List-I with items in List-II and indicate the code of correct matching :

List-I	List-II
(a) ABC Inventory Control System	(i) Developing ancillary units around the manufacturing sites and supplying parts to manufacturing units.
(b) Just-in-time (JIT) System	(ii) Enables a company to easily track large items of inventory.
(c) Out sourcing System	(iii) It eliminates the necessity of carrying large inventories and saves carrying cost.
(d) Computerized Inventory Control System	(iv) Tends to measure the significance of each item of inventories in terms of its value.

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iii)	(i)	(iv)
(2)	(iv)	(ii)	(iii)	(i)
(3)	(iv)	(iii)	(i)	(ii)
(4)	(iii)	(i)	(ii)	(iv)

27. In certainty-equivalent approach, risk adjusted cash flows are discounted at

- | | |
|-------------------------------|-----------------------------|
| (1) Accounting Rate of Return | (2) Internal Rate of Return |
| (3) Hurdle Rate | (4) Risk-free Rate |

28. 'That personal leverage can replace corporate leverage' is assumed by
- | | |
|--------------------------|-----------------------------------|
| (1) Traditional Approach | (2) MM Model |
| (3) Net Income Approach | (4) Net Operating Income Approach |

29. Match the List-I with List-II relating to Human Resource Planning activities and indicate the code of correct matching.

List-I

- | |
|------------------------------------|
| (a) Forecasting |
| (b) Inventorying |
| (c) Anticipating manpower problems |
| (d) Planning programs |

List-II

- | |
|-----------------------------------------------------|
| (i) Optimal employment |
| (ii) Development activities |
| (iii) Mathematical projections of industrial trends |
| (iv) Projecting present resources into future |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (ii) | (i) | (iv) | (iii) |
| (2) | (i) | (iv) | (iii) | (ii) |
| (3) | (iv) | (ii) | (i) | (iii) |
| (4) | (iii) | (i) | (iv) | (ii) |

30. Which council was established in India by Government of India in the year 1966 to promote safety consciousness among workers in industries ?

- | | |
|---------------------------------|--------------------------------|
| (1) Factory Advise Council | (2) National Safety Council |
| (3) National Industrial Council | (4) Safety Regulations Council |

31. **Assertion (A) :** Recruitment is positive while selection is negative in its application.

Reasoning (R) : Recruitment aims at increasing the job seekers while selection rejects a large number of unqualified applicants.

Codes :

- | | |
|-----|----------------------------------------------------------------------------|
| (1) | (A) is correct, but (R) is not correct. |
| (2) | (A) and (R) both are correct, but (R) is not the right explanation of (A). |
| (3) | (A) and (R) both are correct and (R) is the right explanation of (A). |
| (4) | (A) and (R) both are incorrect. |

32. Match the List-I with List-II relating to Social Security measures in India and indicate the code of correct matching.

List-I

- | |
|----------------------------|
| (a) Social Assistance |
| (b) Social Insurance |
| (c) Commercial Insurance |
| (d) Workmen's Compensation |

List-II

- | |
|-------------------------------------------------------------------|
| (i) Payable to workers in accidents & injuries during employment. |
| (ii) Covers individual risks primarily. |
| (iii) Maternity benefits. |
| (iv) Provident Funds |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (iii) | (iv) | (ii) | (i) |
| (2) | (iv) | (iii) | (ii) | (i) |
| (3) | (iv) | (iii) | (i) | (ii) |
| (4) | (ii) | (i) | (iii) | (iv) |

33. Match the following items of List-I with the items of List-II and indicate the code of correct matching.

List-I (Name of Bank)		List-II (Year of Establishment)	
(a)	IFCI	(i)	1981
(b)	SIDBI	(ii)	1982
(c)	NABARD	(iii)	1948
(d)	EXIM Bank	(iv)	1990

Codes :

	(a)	(b)	(c)	(d)
(1)	(iii)	(i)	(ii)	(iv)
(2)	(iv)	(ii)	(iii)	(i)
(3)	(iv)	(iii)	(ii)	(i)
(4)	(iii)	(iv)	(ii)	(i)

34. With a view to encourage newer classes of entrepreneurs and bringing about wider dispersal of ownership and control of industrial undertakings, IDBI operates a special scheme for supplementing the equity contribution to projects made by small and new entrepreneurs. This scheme is known as

- (1) Bridge Loan Scheme
- (2) Soft Loan Scheme for Modernisation
- (3) Technical Development Fund Scheme
- (4) Seed Capital Assistance Scheme

35. Which one of the following is not the objective of UTI ?

- (1) To give everyone a chance to indirectly own shares and securities in a large number of select companies.
- (2) To maximise mobilisation of people's savings by making insurance linked savings adequately attractive.
- (3) To channelize the pooled savings into productive outlets.
- (4) To mobilise savings of the community by offering savers the triple benefits of safety, liquidity and profitability of investments.

36. Under which of the following schemes, the IFCI procures equipment for an actual-user industrial concern by making payment to the machinery/equipment supplier, and then resells/transfers the equipment to the actual-user-industrial concern at the same cost, subject, however, to any liability arising out of taxes and other levies, being put to the account of the actual user industrial concern ?

- (1) Equipment Credit Scheme
- (2) Equipment Procurement Scheme
- (3) Equipment Finance Scheme
- (4) Scheme of Equipment Leasing

37. Match the items of List-I with List-II and denote the code of correct matching.

List-I		List-II	
(a)	International Bank for Reconstruction and Development	(i)	1945
(b)	International Finance Corporation	(ii)	1956
(c)	Asian Development Bank	(iii)	1966
(d)	Export-Import Bank of India	(iv)	1981

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(ii)	(iii)	(iv)
(2)	(iv)	(iii)	(ii)	(i)
(3)	(i)	(iii)	(ii)	(iv)
(4)	(ii)	(i)	(iv)	(iii)

38. **Assertion (A) :** International Finance Corporation (IFC) contributes to increase sustainable agriculture opportunities, improve health and education and increase access to financing for micro finance and business client.

Reasoning (R) : The IFC has focused on a set of development goals to ensure that its projects are expected to achieve the target.

Codes :

- (1) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (2) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (3) (A) is correct but (R) is incorrect.
- (4) Both (A) and (R) are incorrect.

39. Under TRIPS Agreement, patent is granted subject to which of the following ?

- (a) The product or the process is new one.
- (b) It contains an inventive step.
- (c) It is capable of industrial application for 15 years from the grant of the patent.
- (d) It is capable of industrial application for 20 years from the grant of the patent.

Codes :

- | | |
|----------------------|---------------------------|
| (1) Only (a) and (b) | (2) Only (a), (b) and (c) |
| (3) Only (b) and (d) | (4) Only (a) and (d) |

40. **Statement I :** During the period of prosperity, prices of goods fall and income of people go down. These changes in incomes of the people and prices of goods affect exports and imports of goods and thereby influence the balance of payments.

Statement II : Secular disequilibrium in balance of payments occur because of short-run changes in an economy.

Codes :

- (1) Statement I is correct, but II is incorrect.
- (2) Statement II is correct, but I is incorrect.
- (3) Both the statements I and II are correct.
- (4) Both the statements I and II are incorrect.

41. Which of the following correctly depicts differences between a merger and an acquisition of stock ?

- (1) An acquisition of stock results in the total absorption of a firm whereas a merger does not.
- (2) In case of a merger, the firm can deal directly with the shareholders of the acquired firm but not in the case of acquisition of stock.
- (3) Shareholders of the acquired or target firm vote by their response to a tender offer in an acquisition of stock but cast a formal vote in a merger situation.
- (4) A formal vote by the acquired firm's shareholders is required for an acquisition of stock but not for a merger.

42. Match the items of List-I with the items of List-II and indicate the correct code :

List-I		List-II	
(a)	Value added Model	(i)	It is based on the process audit thereby evaluating the corporate social performance.
(b)	Bauer-Fenn Model	(ii)	It takes into account the social benefits and costs.
(c)	ABT Model	(iii)	It reflects the impact of a business enterprise on its employees, the local community and the public at large.
(d)	ESTs Model	(iv)	It shows the value added by the value of production of socially desirable outputs minus the value of socially

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(ii)	(iii)	(iv)
(2)	(iv)	(i)	(iii)	(ii)
(3)	(iv)	(iii)	(ii)	(i)
(4)	(iv)	(i)	(ii)	(iii)

43. You are given the following information :

	X-Security	Market-Security
Expected Return (%)	15	12
Standard Deviation of the return (%)	6	4
Coefficient of Correlation between the returns		04

What is the Beta-coefficient of security X to measure its systematic risk ?

Codes :

(1)	1	(2)	1.5
(3)	0.6	(4)	0.4

44. Lease which includes a third party (a lender) is known as

(1)	Direct lease	(2)	Sales and lease-back
(3)	Leveraged lease	(4)	Inverse lease

45. Which of the following activities should be shown separately in the cash flow statement prepared as per Accounting Standard-3 ?

- (a) Cash flow from borrowing activities.
- (b) Cash flow from operating activities.
- (c) Cash flow from financing activities.
- (d) Cash flow from investing activities.
- (e) Cash flow from miscellaneous activities.

Codes :

(1)	(a), (b), (c)	(2)	(a), (c), (e)
(3)	(b), (c), (d)	(4)	(a), (b), (e)

46. Which of the following statements is correct ?
- (1) The oldest stock exchange of India is OTCEI.
 - (2) Sensex is an index number of 30 scrips.
 - (3) In book-building process, the price of the security is announced by the company.
 - (4) Futures and options in shares are traded at all stock exchanges of India.
47. Match the items of List-I (Developers) with the items of List-II (Methods of measuring human assets) and indicate the correct code :
- | List-I | | List-II | |
|--------|--------------------|---------|----------------------------------------|
| (a) | Hekimian and Zones | (i) | Stochastic Rewards Valuation Model |
| (b) | Hermanson | (ii) | Competence Bidding Method |
| (c) | R. Likert | (iii) | Adjusted Discounted Future Wages Model |
| (d) | Flamholtz | (iv) | Behavioural Variables Model |
- Codes :**
- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|------|
| (1) | (i) | (ii) | (iii) | (iv) |
| (2) | (ii) | (iii) | (iv) | (i) |
| (3) | (iv) | (iii) | (i) | (ii) |
| (4) | (iii) | (iv) | (ii) | (i) |
48. The concept of achieving maximum profits through increased consumer satisfaction for raised market share focuses on
- | | |
|--------------|----------------|
| (1) Product | (2) selling |
| (3) Customer | (4) Production |
49. Which of the following is not a measure for quality of service for consumer ?
- | | |
|--------------------|-----------------|
| (1) Responsiveness | (2) Competition |
| (3) Empathy | (4) Tangibility |
50. Which of the following is not a targeting strategy ?
- | | |
|---------------------|----------------------|
| (1) Standardization | (2) Differentiation |
| (3) Focus | (4) All of the above |
51. Match the items of List-I with items of List-II and indicate the code of correct matching.
- | List-I | | List-II | |
|--------|----------------|---------|------------------------------------------------------------------------------|
| (a) | Real Needs | (i) | Expecting good service from car dealer. |
| (b) | Unstated Needs | (ii) | Customer expects to be seen by his friends as value-oriented savvy consumer. |
| (c) | Delight Needs | (iii) | Customer wants car at low operational cost and not initial cost. |
| (d) | Secret Needs | (iv) | Customer receives free insurance on purchase of car. |
- Codes :**
- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|------|-------|
| (1) | (iii) | (i) | (iv) | (ii) |
| (2) | (i) | (iii) | (ii) | (iv) |
| (3) | (ii) | (iv) | (i) | (iii) |
| (4) | (iv) | (ii) | (i) | (iii) |

52. **Statement I** : The firm should "stick to its niching" but not necessarily to its niche.
Statement II : Multiple niching is not preferable to single niching.
Codes :
- (1) Both the Statements are true.
 - (2) Both the Statements are false
 - (3) Statement I is true, but Statement II is false.
 - (4) Statement II is true, but Statement I is false.
53. A descriptive thought that a person holds about something is called
- (1) Belief
 - (2) Learning
 - (3) Attitude
 - (4) Perception
54. Deferment, Autonomy of object, use of the common place, involvement/detachment and use of metaphor are description of which of the following technique ?
- (1) Brainstorming
 - (2) Synectics
 - (3) Forced Relationship
 - (4) Attribute listing
55. Which of the following statements are correct ? Indicate the correct combination :
- (a) A well motivated individual tends to experience a low degree of morale.
 - (b) A group characterized by a high state of morale may or may not have a high degree of motivation to perform.
 - (c) Morale can always be built up by a combination of rewards and penalties.
 - (d) Organizations, in general, devote more direct attention towards motivational aspects of people's behaviour than the aspects of morale.
- Codes** :
- (1) (a), (b) and (d)
 - (2) (c) and (d) only
 - (3) (a), (c) and (d)
 - (4) (b) and (d) only
56. **Assertion (A)** : Organizations are increasingly getting de-jobbed.
Reasoning (R) : Jobs are becoming more amorphous and more difficult to define.
Codes :
- (1) (A) and (R) both are correct but (R) is not the right explanation of (A).
 - (2) (A) and (R) both are not correct.
 - (3) (A) is correct, but (R) is incorrect.
 - (4) (A) is correct and (R) is right explanation of (A).
57. Which of the following statements relating to incentive payments is correct ?
- (1) In Halsey incentive plan, bonus paid to a worker is equal to 50 percent of time saved divided by rate per hour.
 - (2) In Rowan incentive plan, bonus paid to employee is equal to the proportion of the time saved to the standard time.
 - (3) In Taylor's differential piece rate system, a worker whose output exceeds standard output is paid 100 per cent of piece rate and a worker whose output falls short of standard is paid only 50 percent of piece rate.
 - (4) The Rowan incentive plan is the base of all other incentive, payment plans.

58. Match the most common rating errors made during performance appraisal with their right explanations. Indicate the code of correct matching.

List-I (Common Rating Errors)		List-II (Description)	
(a)	Leniency	(i)	Subjective assessment
(b)	Halo error	(ii)	One aspect of individual's performance influence his entire performance
(c)	Spillover effect	(iii)	Past performance appraisal ratings unjustifiably influencing current ratings.
(d)	Rater effect	(iv)	Favoritism and stereotyping

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(ii)	(iii)	(iv)
(2)	(ii)	(iii)	(iv)	(i)
(3)	(iii)	(iv)	(ii)	(i)
(4)	(iv)	(iii)	(ii)	(i)

59. Which one of the following industrial relations approach believes in state intervention via legislation and the creation of industrial tribunals as supporting management's interest rather than ensuring a balance between the competing groups ?

(1)	Unitary approach	(2)	Pluralistic approach
(3)	Marxist approach	(4)	Judiciary approach

60. What is the term coined for the system of communication and consultation, either formal or informal, by which workers of an organization are kept informed, as and when required, about the affairs of the undertaking and through which they express their opinion and contribute to decision-making process of management ?

- (1) Collective Bargaining
- (2) Empowerment
- (3) Workers' participation in management
- (4) Welfare state

61. Match the items of List-I with those of List-II with regard to operative functions of HRM and indicate the code of correct matching.

List-I		List-II	
(a)	Procurement	(i)	Performance appraisal
(b)	Development	(ii)	Discipline
(c)	Integration	(iii)	Induction
(d)	Maintenance	(iv)	Personnel research

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(i)	(iv)	(iii)
(2)	(i)	(iv)	(iii)	(ii)
(3)	(iii)	(i)	(ii)	(iv)
(4)	(ii)	(iii)	(i)	(iv)

- 62.** What is the popular term used for that type of option in Foreign Exchange Market which provides the holder the right to purchase or sell foreign currency at the most favorable exchange rate realized over the life of the option ?
- (1) Forward reversing option (2) Preference option
(3) Look back option (4) Basket option
- 63.** What is the term used popularly for the situation when a speculator, being dominant in the market, expects a drop in the value of a particular currency and he begins selling it forward ?
- (1) International Fisher Effect (2) Bandwagon Effect
(3) Interest Rate Parity Effect (4) Relative Version Effect
- 64.** Identify the correct statement.
- (1) The Maastricht Treaty signed in February 1992 renamed European Community (EC) as European Economic Community (EEC).
(2) The main objective of the formation of ASEAN Free Trade Area in 1993 was to soften the restrictions on the movement of professionals in the region and helping poorer countries.
(3) The SAARC is a regional grouping scheme among Six South Asian Countries.
(4) The European Union, including European Monetary Union, was the biggest and most important regional integrative scheme.
- 65.** Match List-I with List-II relating to benefits and cost of economic integration and identify the code representing correct matching.

List-I

- (a) Trade creation
(b) Trade diversion
(c) Trade deflection
(d) Polarisation force

List-II

- (i) Movement of production and resources in opposite directions.
(ii) Become active when a member country does not augment export but simply shifts its imports from low cost source to high cost source.
(iii) Shifting the locus of production from high cost to low cost centre within the union.
(iv) Goods produced in a third country entering a free trade area through a member country having lower tariff.

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|------------|------------|------------|------------|
| (1) | (ii) | (iii) | (iv) | (i) |
| (2) | (ii) | (iv) | (i) | (iii) |
| (3) | (iii) | (i) | (iv) | (ii) |
| (4) | (iii) | (ii) | (i) | (iv) |

- 66.** What is the situation referred to as, amongst the following, when intra-region trade is duty free but there is variation in tariff structure for import from a third country ?
- (1) Customs Union (2) Common Market
(3) Free Trade Area (4) Economic Union

67. Which of the following statements is not correct relating to comparison of FDI with trade ?
- (1) Only one market can better be served with differentiated products.
 - (2) FDI overcomes tariff and transport cost involved in trade.
 - (3) It reduces financial risk through greater diversification.
 - (4) It creates harmonious political relations.
68. Match List-I with List-II regarding the grouping of Multi-national Corporations and identify the code representing correct matching.
- | List-I (Type of MNC) | List-II (Basic Feature) |
|-----------------------------|-----------------------------------------------------------------------|
| (a) Ethnocentric firms | (i) Maintain a balance in home and host market oriented policy. |
| (b) Polycentric firms | (ii) Seldom distinguish between domestic & global operation policies. |
| (c) Geo-centric firms | (iii) Follow a host market policy. |
- Codes :**
- | | (a) | (b) | (c) |
|-----|------------|------------|------------|
| (1) | (iii) | (i) | (ii) |
| (2) | (iii) | (ii) | (i) |
| (3) | (ii) | (iii) | (i) |
| (4) | (ii) | (i) | (iii) |
69. An equipment was acquired at a cost of ₹ 10 lacs and was put to use in Scientific Research. After one year of research the equipment was brought into another business of the assessee. For charging depreciation, Block of Assets shall be increased by
- (1) ₹ 10 lacs.
 - (2) Market value of the equipment on the date it was brought into another business.
 - (3) Cost or market value of the equipment, whichever is less.
 - (4) NIL.
70. If an assessee is engaged in the business of growing and manufacturing tea in India, the portion of agricultural income in that case shall be
- | | |
|----------|---------|
| (1) 100% | (2) 60% |
| (3) 50% | (4) 40% |
71. Which of the following statements is not correct ?
- (1) X is an individual assessee. He pays a monthly rent of ₹ 10,000 pm. He cannot deduct tax at source.
 - (2) On salaries, tax is deducted at source according to provisions of Sec. 192.
 - (3) No tax is deducted at source in respect of interest on securities issued by a domestic company.
 - (4) Bank will deduct tax at source @ 10% if bank fixed deposit's interest credit is more than 10,000 in a year.

72. X donated ₹ 20,000 to a charitable institution, which is eligible for deduction u/s 80 G, during the financial year 2015-16. His total income during the period was ₹ 1,50,000. How much deduction he can claim u/s 80 G ?
- (1) ₹ 7,500 (2) ₹ 10,000
(3) ₹ 15,000 (4) ₹ 20,000
73. X is employed in a private company at a salary of ₹ 70,000 per month and ₹ 10,000 per month as dearness pay. He received ₹ 2,000 per month as house rent allowance. He paid ₹ 2,500 per month as house rent. What is the exempted portion of house rent allowance ?
- (1) ₹ 2,500 (2) ₹ 2,000
(3) ₹ 1,000 (4) NIL
74. Surcharge is payable by an individual where the total income exceeds
- (1) ₹ 10 lacs (2) ₹ 25 lacs
(3) ₹ 50 lacs (4) ₹ 1 crore
75. Which one of the following statements is not correct ?
- (1) A person may not have assessable income but still be an assessee.
(2) In some cases, the assessment year and the previous year can be same.
(3) An Indian company is always resident assessee.
(4) Surcharge is additional tax calculated on total income.

ANSWER KEY

1	2	3	4	5	6	7	8	9	10
4	2	1	4	2	4	2	4	3	2
11	12	13	14	15	16	17	18	19	20
3	3	2	4	2	4	3	4	4	3
21	22	23	24	25	26	27	28	29	30
2	3	1	3	1	3	4	2	4	2
31	32	33	34	35	36	37	38	39	40
3	1	4	4	2	2	1	2	3	9
41	42	43	44	45	46	47	48	49	50
3	2	3	3	3	2	2	3	2	9
51	52	53	54	55	56	57	58	59	60
1	3	1	2	4	4	2	1	3	3
61	62	63	64	65	66	67	68	69	70
3	3	2	4	3	3	1	3	4	2
71	72	73	74	75					
3	1	4	4	4					

9 = ALL, A = 12, B = 13, C = 14, D = 123, E = 124, F = 134, H = 23, I = 24, J = 234, K = 34

SOLUTIONS

1. (4) (d), (a), (e), (b) and (c)

2. (2) **List-I**

(a) Indian Railways

(b) Unit Trust of India

(c) Bharat Heavy Electricals Limited

List-II

(i) Department Undertaking

(ii) Statutory Corporation

(iii) Government Company

3. (1) A joint Hindu family business comes into existence by Hindu law.

The affairs of business are managed by the head of the family, who is known as the — Karta. A Joint Hindu Family business comes into existence as per the Hindu Inheritance. The membership is limited up to three successive generations. Thus, an individual, his son(s), and his grandson(s) become the members of a Joint Hindu Family by birth. They are also called —Co-parceners. The term coparceners imply that such an individual has got the right to ask for a partition of the Joint Hindu Family business and to have his separate share. A daughter has no right to ask for a partition and is, therefore, not a co-parcener.

The liability of each member of the Joint Hindu Family business is limited to the extent of his share in the business. But the liability of the karta is unlimited as, it extends to his personal property.

4. (4) Both the statements I and II are correct.

5. (2) **List -I**

(a) Principle of Separate Entity

(b) Principle of Conservatism

(c) Principle of Money Measurement

(d) Historical cost concept

List-II

(i) Capital contributed by proprietor is shown as liability in Balance Sheet.

(ii) Valuing inventories at cost or market price whichever is less.

(iii) Recording punctuality and honesty of employees of an organization.

(iv) Valuing Plant and Machinery at cost less depreciation.

6. (4) When forfeited shares are issued at premium, the premium amount is credited to Capital Reserve Account.

7. (2) As per AS 21, consolidated financial statements normally include

- Consolidated Balance Sheet
- Consolidated Statement of Profit and Loss Account
- Consolidated Cash Flow Statement (in case parent presents cash flow statement)
- Notes and statements and explanatory schedules that form the integral part thereof.

The consolidated financial statements are presented to the extent possible in the same format as that adopted by the parent for its separate financial statements.

8. (4) Amount due to outgoing partner is shown in the balance sheet as his loan .

When a partner retires from the business and if he is to be paid off his due amount immediately, the total capital of the firm is reduced. In such case, the retiring partner may be requested to keep the amount due to him as loan to the firm, so as to be paid gradually in the future. On the other hand, the remaining partner may bring necessary amount in new profit sharing ratio or in same agreed ratio to make payment to the retiring

partner. Then afterwards, if agreed, the capitals of remaining partners may be required to be adjusted in new profit sharing ratio in any one of the following three ways:

A. When the total capital is not given:

Step-1 : Calculation of the total capital of the new firm as:

Total capital of the new firm = Aggregate of adjusted old capitals of remaining partners.

Step-2 : Calculations of new capitals of remaining or continuing partners:

New capital of a continuing partner = Total capital X New ratio

Step-3 : Any excess of new capital of a remaining partner, is to be paid off in cash and for the deficiency, the continuing partner has to bring in cash.

B. When the total capital is given :

Step-1 : Calculation of continuing partners' new capital

New capital of continuing partner = Total capital given X New ratio

Step-2 : Any excess capital to be paid to and any deficiency is to be brought by the continuing partners.

C. When the retiring partner is to be paid through cash brought by the remaining partners so that their capitals would be in accordance with new ratio:

Step-1 : Calculation of total capital of new firm

Total capital = Aggregate of old capitals after all adjustment + Shortage of cash to make payment to retiring partner

Step-2 : Calculation of new capital of continuing partners

= Total capital of new firm X New ratio

Step-3 : Deficiency to be brought in by the remaining or continuing partners.

9. (3) **List-I** **List-II**
- | | |
|------------------------------------------------------------------------|-------------------------------------------|
| (a) Non-price quantity relationships of demand. | (i) Increase and decrease in demand. |
| (b) Income effect of a price rise greater than its substitution effect | (ii) Giffen goods. |
| (c) Transitivity and consistency of choices. | (iii) Ordinal utility approach. |
| (d) Price-quantity relationships of demand. | (iv) Extension and contraction of demand. |
10. (2) $TC = 200 + 5Q + 2Q^2$ (Given)
 $TC = a + bQ + Q^2$, $AC = MC$
 $a = 200$, $b = 5$
- $$AC = \frac{a}{Q} + b + Q, MC = b + 2Q \text{ i.e. } \left[\frac{a}{Q} + \cancel{b} + Q = \cancel{b} + 2Q \right]$$
- $$\frac{a}{Q} = Q \Rightarrow \boxed{a = Q^2}$$
- i.e. $200 = Q^2 \Rightarrow Q = \sqrt{200} = 14.14$ (approx)
11. (3) 40
12. (3) Markets where sellers rely on their customers' high propensity to consume a prestigious commodity.

13. (2) Within $\pm 1.96 \sigma$ limits from Mean value, the area under the distribution is 99 percent of the total area.
14. (4) **Example 1** : If $r = 0.8$ then $r^2 = (0.8)^2 = 0.64$ or 64%. This means that based on the sample, 64% of the variation in dependent variable (Y), is caused by the variations of the independent variable (X). The remaining 36% variation in Y is unexplained by variation in X. In other words, the variations other than X could have caused the remaining 36% variations in Y.
15. (2) The sampling distribution of the difference between sample means has a mean $\mu_1 - \mu_2$ and a standard deviation (standard error).

$$\sigma = \sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}$$

This formula assumes that we know the population variances and that we can use the population variance to calculate the standard error. However, we are usually using sample data and do not know the population variances. We use the sample variances to estimate the standard error.

16. (4) A researcher wants to test the significance of the difference between the average performance of the two small sized samples when the information of the population standard deviation is not available. which t- test hypothesis-testing is suitably used.
An Independent Samples **t-test** compares the means for two groups. A Paired sample **t-test** compares means from the same group at different times (say, one year apart). A One sample **t-test** tests the mean of a single group against a known mean.

17. (3) Statements I, II and III
18. (4) Both (A) and (R) are incorrect.

19. (4) **List-I** **List-II**
- | | |
|-------------------------|--------------------------------------------------------------|
| (a) Utilitarian theory | (i) Evaluation of plans with its consequences. |
| (b) Code | (ii) Behaviour guiding statements. |
| (c) Whistle blowing | (iii) Making public known about unethical company practices. |
| (d) Pluralistic society | (iv) Society with varied interest groups. |

20. (3) (a), (b), (c), (e), (d)

21. (2) Electronic Transactions Note that e-information sites provide information but they are not designed to make transactions. Creating the capability of making purchases directly from a firm's website is known as electronic transactions (or e-transactions), the next higher level of electronic networking. E-transactions involve more interaction and feedback than e-information. Both consumer product marketers and business-to-business sellers make use of e-transactions.

22. (3) (A) is correct and (R) is correct explanation for (A).

23. (1) **List-I** **List-II**
- | | |
|-------------------------|---------------------------------------------------------|
| (a) Media class | (i) Magazine, T.V., Radio |
| (b) Media vehicles | (ii) Times of India, T.V. serial Bhabhi Ji Ghar Pe Hain |
| (c) Media option | (iii) Prime time at 9:00 PM, full page ad of Honda City |
| (d) Scheduling & timing | (iv) Flighting, Pulsing |

24. (3) In integrating specialist challenge to top management functions of product management with the line function of sales as major can be achieved by Matrix organization.
The matrix organisation structure is complex but helps in achieving the ultimate goal i.e. reaching higher productivity. It has various benefits. This type of structure is used in organisations which have diverse product lines and services.
It breaks the monotony and gives more flexibility to the organisation. Employees work with colleagues of different departments who have their expertise in different functions. When different people from diverse departments work together, it helps solve problems in a more efficient way. It does lead to overall development of employees as each one is exposed to different functions apart from their core job.
25. (1) (A) and (R) both are correct and (R) is the correct explanation of (A).
26. (3) **List-I** **List-II**
- | | |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| (a) ABC Inventory Control System | (i) Tends to measure the significance of each item of inventories in terms of its value. |
| (b) Just-in-time (JIT) System | (ii) It eliminates the necessity of carrying large inventories and saves carrying cost. |
| (c) Out sourcing System | (iii) Developing ancillary units around the manufacturing sites and supplying parts to manufacturing units. |
| (d) Computerized Inventory Control System | (iv) Enables a company to easily track large items of inventory. |
27. (4) Certainty equivalent cash flow is the risk free cash flow which an investor considers equivalent to a higher but risky expected cash flow.
Certainty equivalent cash flow is calculated using the following formula:
- $$\text{Certainty Equivalent Cash Flow} = \frac{\text{Expected Cash Flow}}{1 + \text{Risk Premium}}$$
- Where risk premium is the excess of risk-adjusted discount rate over the risk free rate.
28. (2) 'That personal leverage can replace corporate leverage' is assumed by MM Model.
The fundamentals of Modigliani and Miller Approach resemble that of Net Operating Income Approach. Modigliani and Miller advocate capital structure irrelevancy theory. This suggests that the valuation of a firm is irrelevant to the capital structure of a company. Whether a firm is highly leveraged or has lower debt component in the financing mix, it has no bearing on the value of a firm.
Modigliani and Miller Approach further states that the market value of a firm is affected by its future growth prospect apart from the risk involved in the investment. The theory stated that value of the firm is not dependent on the choice of capital structure or financing decision of the firm. If a company has high growth prospect, its market value is higher and hence its stock prices would be high. If investors do not see attractive growth prospects in a firm, the market value of that firm would not be that great.
29. (4) **List-I** **List-II**
- | | |
|------------------------------------|---------------------------------------------------|
| (a) Forecasting | (i) Mathematical projections of industrial trends |
| (b) Inventorying | (ii) Optimal employment |
| (c) Anticipating manpower problems | (iii) Projecting present resources into future |
| (d) Planning programs | (iv) Development activities |

30. (2) Realising the significance of safety at work places, the Government of India has established the Factory Advice Service and Labour Institute, Mumbai with an objective to render advice on safety measures and enforce safety laws. Also, the National Safety Council was set up in 1966 to promote safety consciousness among the workers, avoid accidents and conduct safety programmes in the industries. Celebrating the National Safety Day and awarding the National Safety Awards every year also aim at promoting safety awareness to prevent accidents in the industrial establishments.
31. (3) (A) and (R) both are correct and (R) is the right explanation of (A).
32. (1)
- | List-I | List-II |
|----------------------------|----------------------------------------------------------------------|
| (a) Social Assistance | (i) Maternity benefits. |
| (b) Social Insurance | (ii) Provident Funds |
| (c) Commercial Insurance | (iii) Covers individual risks primarily. |
| (d) Workmen's Compensation | (iv) Payable to workers in accidents and injuries during employment. |
33. (4) **IFCI** : IFCI Ltd. was set up in 1948 as Industrial Finance Corporation of India, a Statutory Corporation, through 'The Industrial Finance Corporation of India Act, 1948' of Parliament to provide medium and long term finance to industry.
- SIDBI** : Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.
- NABARD** : NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.
- EXIM** : Export-Import Bank of India is the premier export finance institution in India, established in 1982 under Export-Import Bank of India Act 1981. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other export credit agencies in the world, Exim Bank India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalisation efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment.
34. (4) The seed capital assistance has been designed by IDBI for professionally or technically qualified entrepreneurs. All the projects eligible for financial assistance from IDBI, directly or indirectly through refinance are eligible under the scheme. The project cost should not exceed Rs. 2 crores and the maximum assistance under the project will be restricted to 50% of the required promoters contribution or Rs 15 lacs whichever is lower. The seed capital assistance is interest free but carries a security charge of one percent per annum for the first five years and an increasing rate thereafter.
35. (2) To maximise mobilisation of people's savings by making insurance linked savings adequately attractive.

36. (2) 'That personal leverage can replace corporate leverage' is assumed by MM Model.
- The fundamentals of Modigliani and Miller Approach resemble that of Net Operating Income Approach. Modigliani and Miller advocate capital structure irrelevancy theory. This suggests that the valuation of a firm is irrelevant to the capital structure of a company. Whether a firm is highly leveraged or has lower debt component in the financing mix, it has no bearing on the value of a firm.
- Modigliani and Miller Approach further states that the market value of a firm is affected by its future growth prospect apart from the risk involved in the investment. The theory stated that value of the firm is not dependent on the choice of capital structure or financing decision of the firm. If a company has high growth prospect, its market value is higher and hence its stock prices would be high. If investors do not see attractive growth prospects in a firm, the market value of that firm would not be that great.
37. (1) **IBRD** : International Bank for Reconstruction and Development (IBRD) was established in December 1945 with the IMF on the basis of the recommendation of Bretton Wood Conference. This is the reason why IMF and IBRD are called 'Bretton Wood Twins'. International Bank for Reconstruction and Development (IBRD) started functioning in June 1946. World Bank and IMF are complementary institutions.
- IFC** : The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset management services to encourage private sector development in developing countries. The IFC is a member of the World Bank Group and is headquartered in Washington, DC. It was established in 1956, as the private sector arm of the World Bank Group, to advance economic development by investing in for-profit and commercial projects for poverty reduction and promoting development.
- ADB** : The Asian Development Bank (ADB) is a regional development bank established on 19 December 1966, which is headquartered in the Ortigas Center located in Mandaluyong, Metro Manila, Philippines. The company also maintains 31 field offices around the world to promote social and economic development in Asia.
- EXIM Bank of India** : Export-Import Bank of India is the premier export finance institution in India, established in 1982 under Export-Import Bank of India Act 1981. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other export credit agencies in the world, Exim Bank India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalisation efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment.
38. (2) Both (A) and (R) are correct and (R) is the correct explanation of (A).
39. (3) Only b and d
40. (9)
41. (3) Shareholders of the acquired or target firm vote by their response to a tender offer in an acquisition of stock but cast a formal vote in a merger situation.
42. (2) (iv) (i) (iii) (ii)

43. (3) The Beta-coefficient of security X to measure its systematic risk is

$$\sigma^1 / \sigma_M \times R_m$$

$$\sigma^1 = \text{Standard Deviation of Assets}$$

$$\sigma_m = \text{Market Standard Deviation}$$

$$R_m = \text{Correlation of Coefficient}$$

$$.06 / .04 \times .04 = .06$$
44. (3) A leveraged lease, by contrast, typically involves a third party – a lender, which can be a bank, an insurance company, a trust, a pension fund custodian or a foundation. In a typical leveraged lease, the lessor contributes only 20% to 40% of the capital needed to acquire a computer system. The remaining 60% to 80% comes from the lender, which provides money to the lessor on a nonrecourse basis, Berwind explained.
45. (3) (b), (c), (d)
46. (2) Sensex is an index number of 30 scrips.
47. (2) (ii) (iii) (iv) (i)
48. (3) The concept of achieving maximum profits through increased consumer satisfaction for raised market share focuses on customer.
49. (2) Competition is not measure for quality of service for consumers.

Determinants of service quality	Determinant Example of evaluative criteria
Tangibility	Appearance of physical facilities and personnl
Reliability	Performing services right the first time
Responsiveness	Willingness and ability to provide prompt service
Communication	Explaining service to customers in a language they can understand
Credibility	Trustworthiness of customer-contact personnel
Security	Confidentiality of transactions
Competence	Knowledge and skill of customer-contact personnel
Courtesy	Friendliness of customer-contact personnel
Understanding / Knowing customers	Making an effort to ascertain a customer's specific requirements
Access	Ease of contacting service

50. (9)
51. (1) (iii) (i) (iv) (ii)
52. (3) Statement I is true, but Statement II is false.
53. (1) **Perception** is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world.
Learning involves changes in an individual's behavior arising from experience. Most human behavior is learned
A belief is a descriptive thought a person holds about something.
An attitude is a person's enduring favorable or unfavorable emotional feelings and action tendencies toward some object or an idea.
54. (2) For the development of sufficient number of perspectives, Gordon has developed this method. Gordon decided to define the problem so broadly that the group would have no inkling of the specific problem.
Gordon described Five Principles Underlying the Synectics Method
Deferment, autonomy of object, use of the commonplace, involvement or detachment and use of metaphor.

55. (4) (b) and (d) only
56. (4) (A) is correct and (R) is right explanation of (A).
57. (2) In Rowan incentive plan, bonus paid to employee is equal to the proportion of the time saved to the standard time.
58. (1) (i) (ii) (iii) (iv)
59. (3) **Marxist Approach** : Marxists like pluralists also regard conflict as inevitable but see it as a product of capitalistic society where as pluralist believe that the conflict is inevitable in all organizations. For Marxists IR has wider meaning. For them conflict arises not because of rift between management and workers but because of the division in the society between those who own resources and those who have only labor to offer. Marxist approach thus focuses on the type of society in which an organization functions. Industrial conflict is thus equated with political and social unrest Trade Unions are seen both as labor reaction to exploitation by capitalists, as- well-as a weapon to bring about a revolutionary social change. Wage related disputes as secondary for them all strikes are political and they regard state intervention (via legislations and creation of Industrial Tribunals) as supporting management's interests, rather than ensuring a balance between the competing groups.
60. (3) WPM is a system of communication and consultation, either formal or informal, by which the workers of an organisation are kept informed, as and when required, about the affairs of the undertaking and through which they express their opinion and contribute to decision-making process of management.

Characteristics

The following are the main characteristics of WPM :

1. Participation implies practices which increase the scope for employees' share of influence in decision-making process with the assumption of responsibility.
 2. Participation presupposes willing acceptance of responsibility by workers.
 3. Workers participate in management not as individuals but as a group through their representatives.
 4. Worker's participation in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and mutual problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
 5. The basic rationale for worker's participation in management is that workers invest their labour and their fates to their place of work. Thus, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organisation.
61. (3) (iii) (i) (ii) (iv)
62. (3) A look-back option gives the holder the right to purchase or sell foreign currency at the most favourable exchange rate realized over the life of the option. For example, the buyer of a call has the right to buy the underlying currency at the lowest exchange rate realized between the creation of the call and the expiry date. The buyer of a put option has the right to sell the underlying currency at the highest exchange rate during the life of the option. All this means that the strike rate in a look-back option is not known until the expiry date. Naturally, because of this specialty, the premium of a look-back option is normally higher than the premium of the traditional option.

63. (2) Bandwagon Effect is the term used popularly for the situation when a speculator, being dominant in the market, expects a drop in the value of a particular currency and he begins selling it forward.
- The bandwagon effect is a psychological phenomenon in which people do something primarily because other people are doing it, regardless of their own beliefs, which they may ignore or override. The bandwagon effect has wide implications but is commonly seen in politics and consumer behavior. This phenomenon can also be seen during bull markets and the growth of asset bubbles.
64. (4) The European Union, including European Monetary Union, was the biggest and most important regional integrative scheme.
65. (3) (iii) (i) (iv) (ii)
66. (3) **Free Trade Area** : In a free trade area, which involves the least integration, member countries abolish tariff and non-tariff barriers on intra-region trade but they are free to impose tariff on their import a third country at different rates. Thus tariff abolition is a preferential economic arrangement that aims at encouraging intra-region trade, European Free Trade Association (EFTA) and North American Free Trade Agreement (NAFTA) are apposite examples of this type of economic integration.
67. (1) Only one market can better be served with differentiated products.
68. (3) (ii) (iii) (i)
69. (4) NIL
- An equipment was acquired at a cost of Rs. 10 lacs and was put to use in Scientific Research. After one year of research the equipment was brought into another business of the assessee. For charging depreciation, Block of Assets shall be increased by NIL. No depreciation will be charged in the following cases :
- If WDV of the BOA is reduced to zero, though the block of assets does not ceases to exist on the last day of the previous year; or
 - If BOA is empty or ceases to exist on the last day of the previous year, though the WDV is not zero (*In such cases WDV of the block on the first day of the next previous year will be taken as Nil); or
 - If any **imported car** is used for the purpose of business or profession in India which is acquired during **March 1, 1975 and March 31, 2001**. If, however, such imported car is used in the business of running it on hire for tourist or for the purpose of business or profession outside India, then depreciation is admissible at the usual rate.
70. (2) 60%
71. (3) No tax is deducted at source in respect of interest on securities issued by a domestic company.
72. (1) 50 % deduction to Qualifying amount of 1,50,000 = 75,000
10 % of Adjusted GTI of 75,000 = 7500
- (B) Donation eligible for deduction to qualifying output**
- (i) 100% deduction to qualifying output**
- Govt. or any approved local authority institution or association to be utilized for promoting family planning.
 - By company to Indian Olympic association or other notified association/institution in India, for development of infrastructure, for sports, games, or sponsorship.

(ii) 50% deduction to Qualifying output

- (a) Govt. or local authority for charitable purpose except promoting family planning.
- (b) To approved charitable institution which satisfies conditions of sec. 80 (4)
- (c) For renovation or repair any purpose, mosque, Gurudwara, Church
- (d) To housing development authority or city/town/village, development, authority constituted in India.

Qualifying Amount

10% Adjusted GTI.

Or

Total of amount- [Whichever is lower]

Adjusted GTI

GTI	x
(-) Deduction permissible u/s 80c to 80U	xx
(-) Long term capital gain	xx
(-) Short Income on which Income or not payable	xx
(-) Income referred 115, 115AB, 115 AC, 115 AD (This sec. related income of NRI and foreign couples)	

73. (4) NIL

House Rent Allowance [Sec 10(13A)]

- (i) Actual HRA Received
- (ii) Rent Paid - 10% of Salary
- (iii) 40% or 50% of Salary (M, K, C, D)

Note : (a) Salary = Basis Pay + D.A (If in service ...) % of fixed of commission on Turnover.

(b) 50% of salary should be situated on Mumbai, Kolkata, Delhi, Chennai.

74. (4) Surcharge is applicable if net taxable income of an assessee exceeds Rs.1 crore. To calculate the net taxable income, take the gross total income and deduct the investments and expenses that qualify for deduction under various sections of the income tax Act.

75. (4) Surcharge is an additional charge on Income Tax. It was introduced with a principal that rich should contribute more by way of tax, as compared to the poor.